



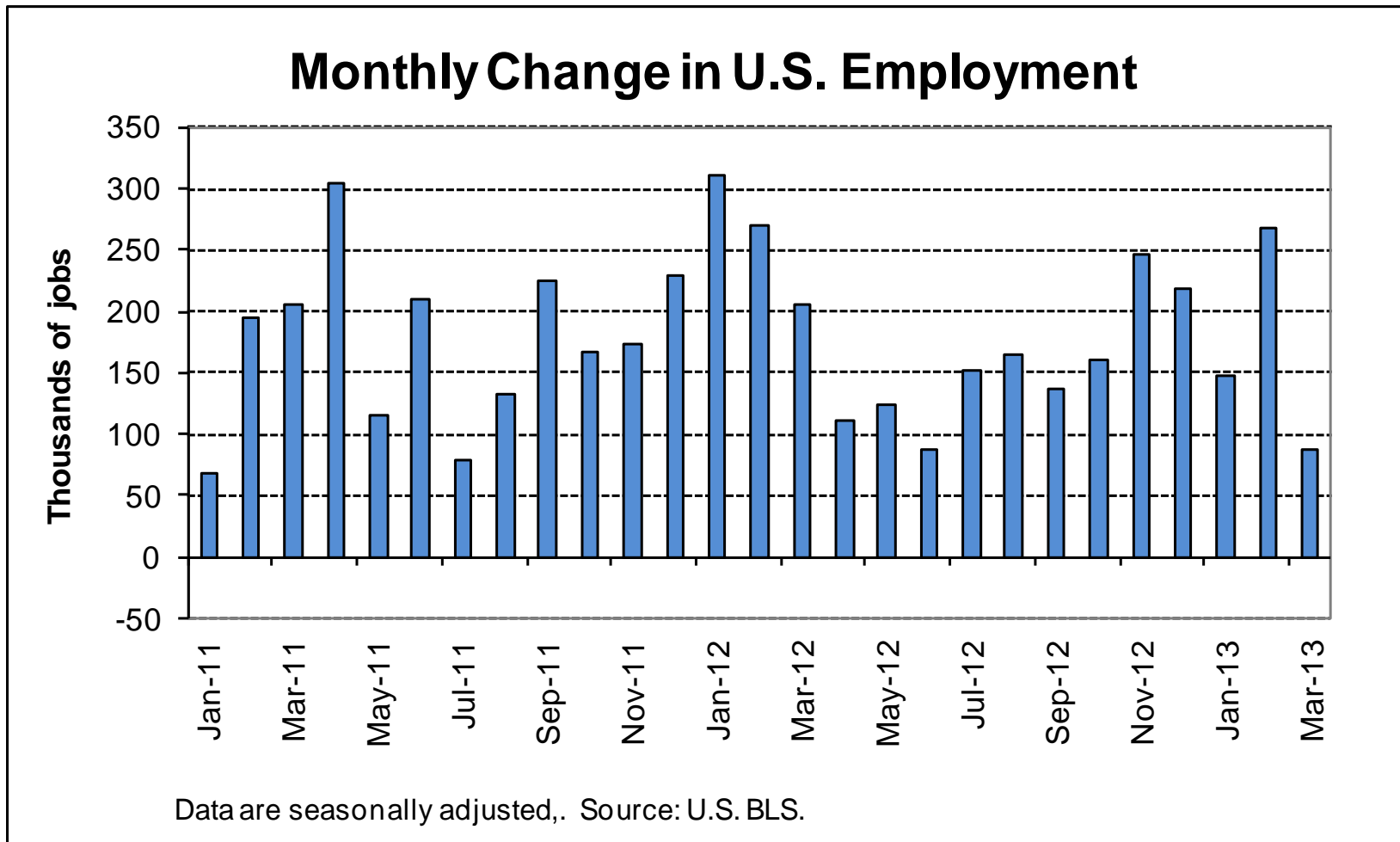
City of Seattle General Fund Revenue & Budget Update

Presentation to the Seattle City Council Budget Committee
April 22, 2013



The recovery

- Recovery has been up and down
- Looking beyond ups and downs, pace of growth has been fairly stable for past 3½ yrs
 - At annual rate of 2% (real GDP)
- March jobs report may be signaling another mid-year slowdown



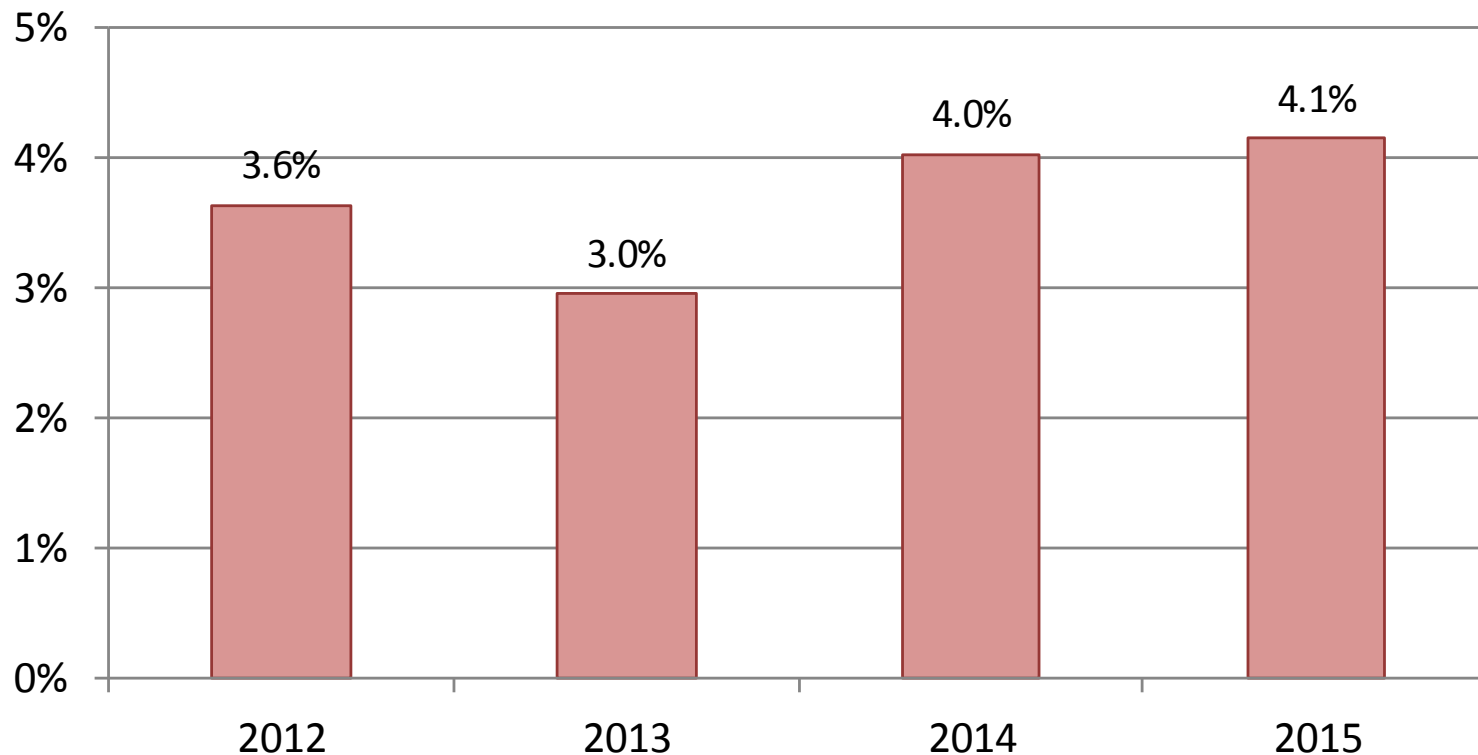


U.S. economic forecast

- Federal fiscal policy will slow economy in 2013
 - Tightening from fiscal cliff settlement
 - ▶ Biggest impact: expiration of 2% payroll tax cut
 - Sequester took effect March 1
 - Total impact in 2013 is 1½ percent of GDP
- Stronger growth expected in 2014-15



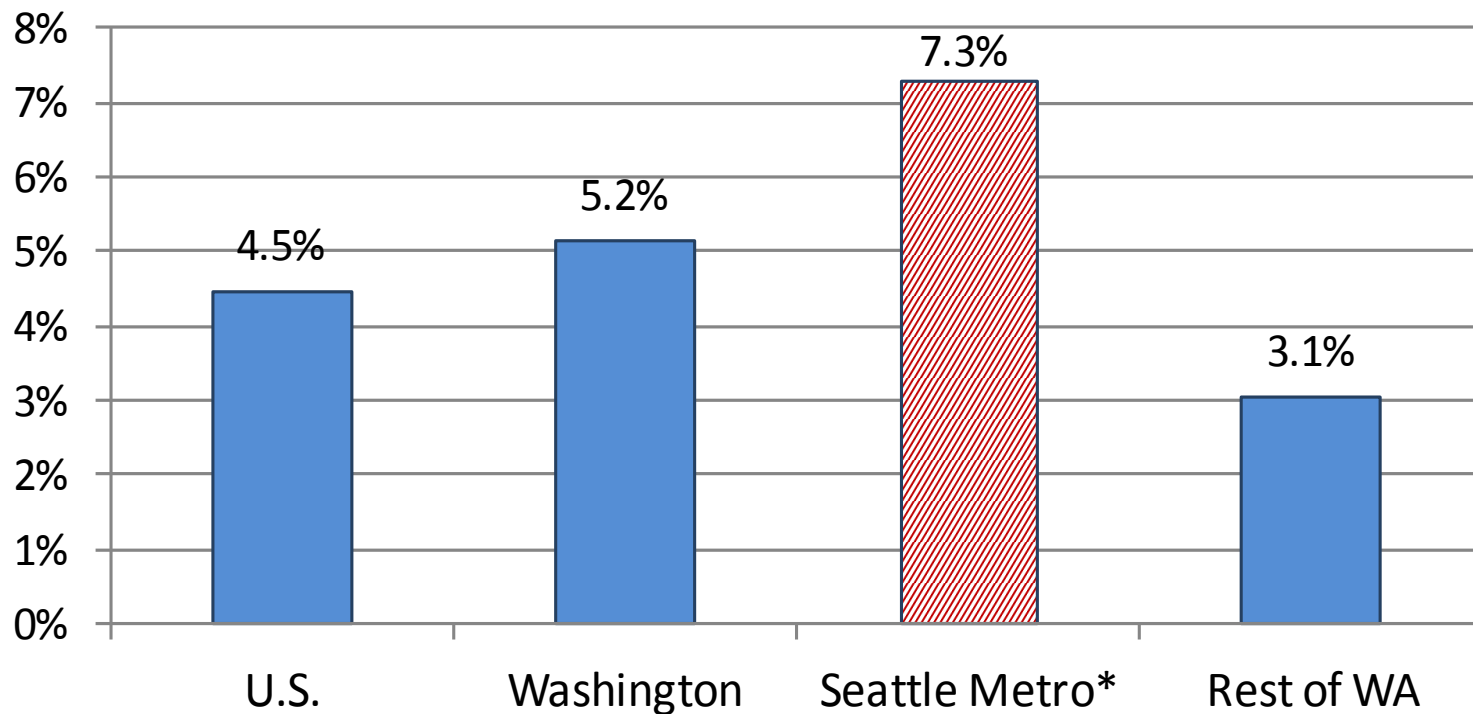
Forecast of U. S. Consumer Spending



In nominal dollars. Source: Global Insight.



Employment Growth: Post Recession Trough through February 2013



*King & Snohomish Counties. Source: WA ESD, U.S. BLS.

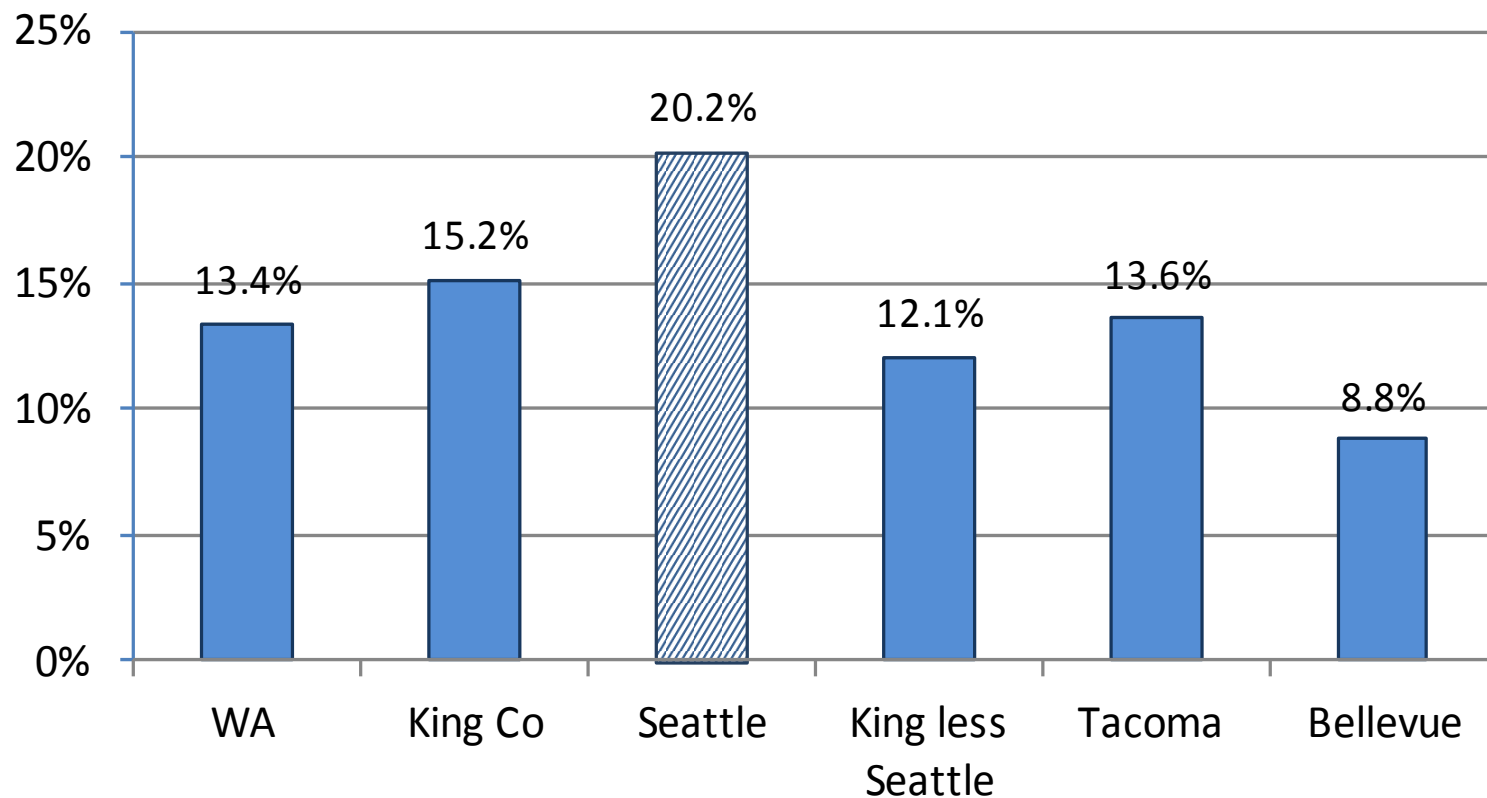


- ▶ The region continues to outperform the U.S.
 - Seattle metro area's recovery ranks 18th out of 100 largest metro areas (Brookings)
 - Aerospace added 15,900 jobs, Jun '10 - Dec '12
 - ▶ Aerospace multiplier is 2.7
 - Amazon has been hiring
 - Sequester to cost region 13,000 jobs this year

City of Seattle Economy



Taxable Retail Sales Growth: 2009 Q4 - 2012 Q4

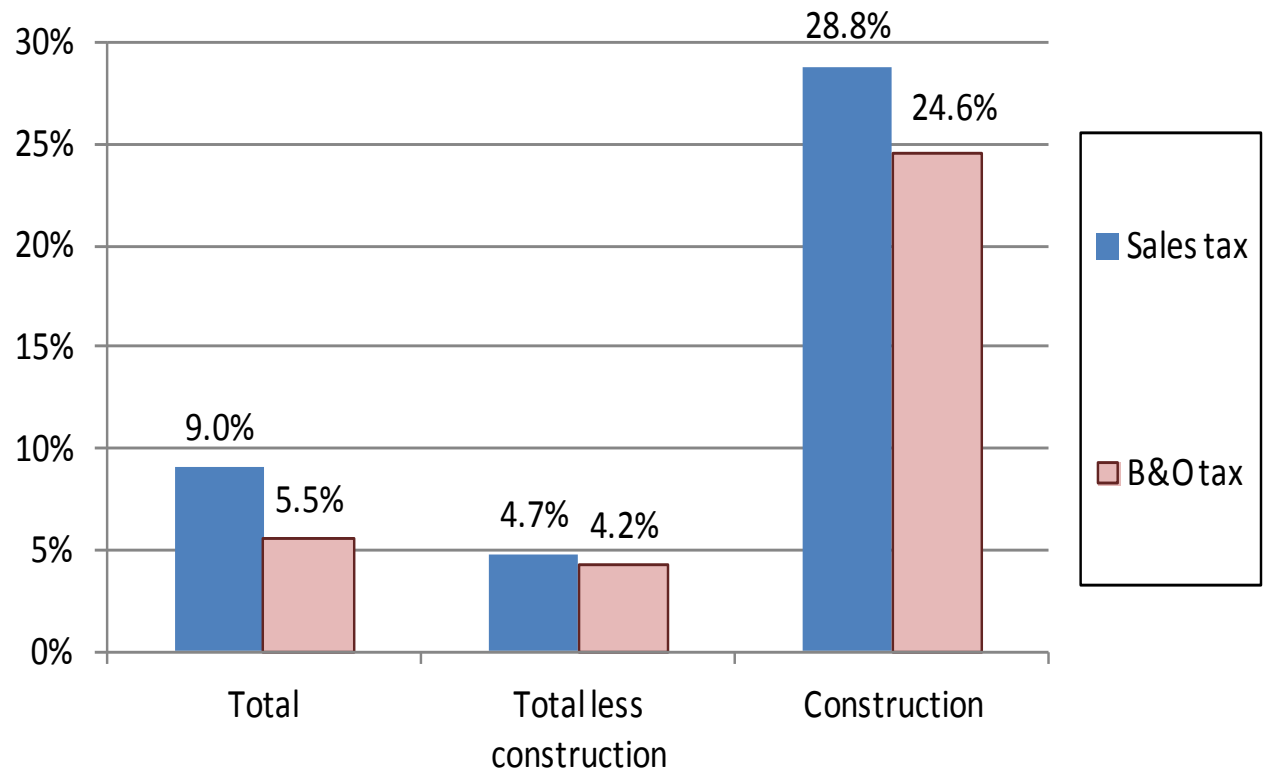


City of Seattle Economy



- Sources of growth include:
- Construction
- Amazon
- Business & professional services

Growth of the Sales and B&O Tax Base in 2012





- ▶ **Risks to U.S. forecast include:**
 - Potential for federal fiscal policy missteps
 - ▶ U.S. will hit debt ceiling this summer
 - Eurozone recession, sovereign debt problems
 - Potential for slowdown in Asia
- ▶ **Local risks include:**
 - Construction
 - ▶ In short-term forecast risk is probably on upside
 - Aerospace boost is likely over

Sales and B&O Tax Forecasts



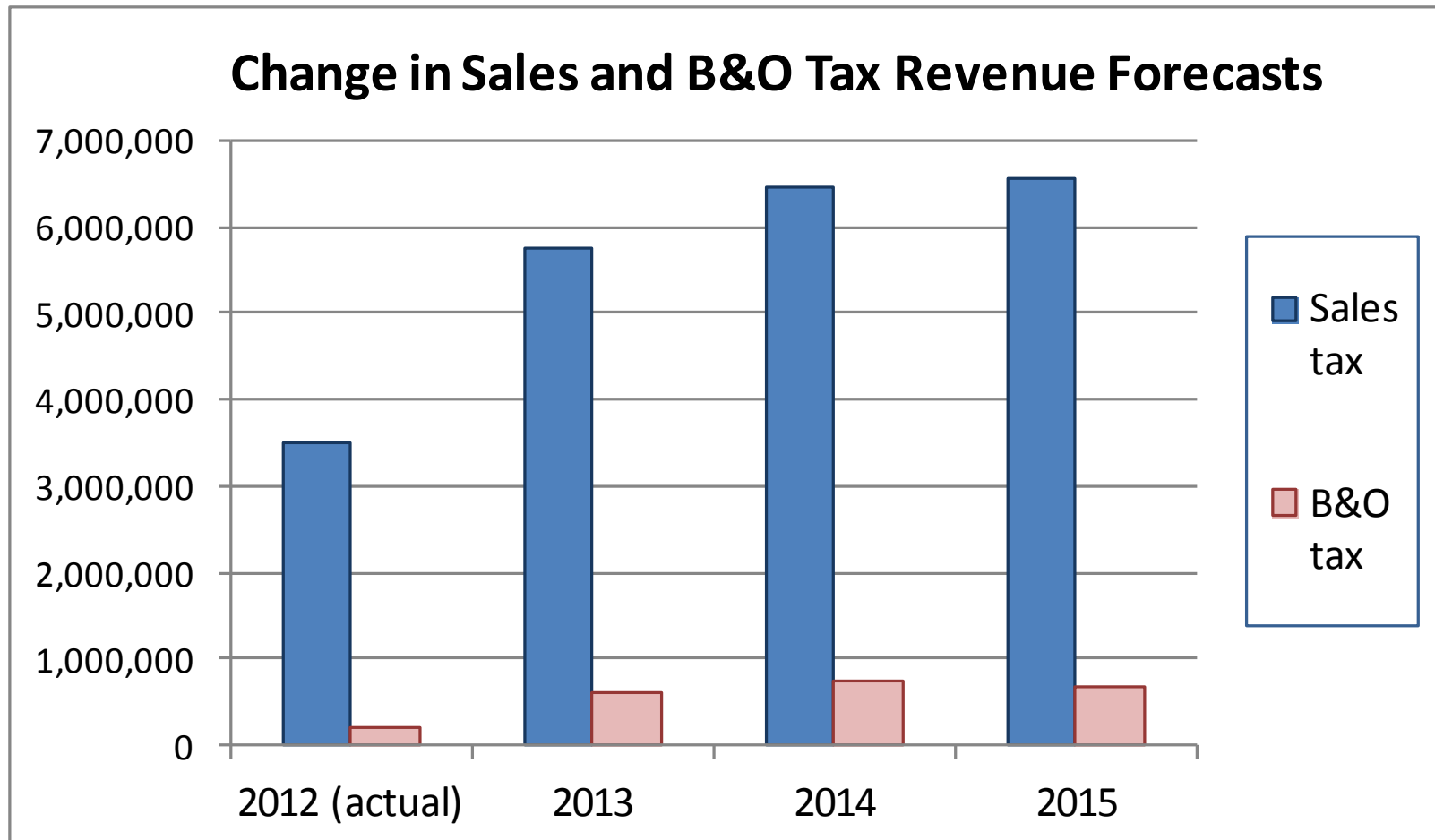
► Sales tax

- 2012 revenue exceeded forecast by \$3.5 mil.
 - \$2.0 million from construction
- Forecast is raised for 2013-14
 - Largely due to construction

► B&O tax

- Little change from November forecast

Sales and B&O Tax Forecasts



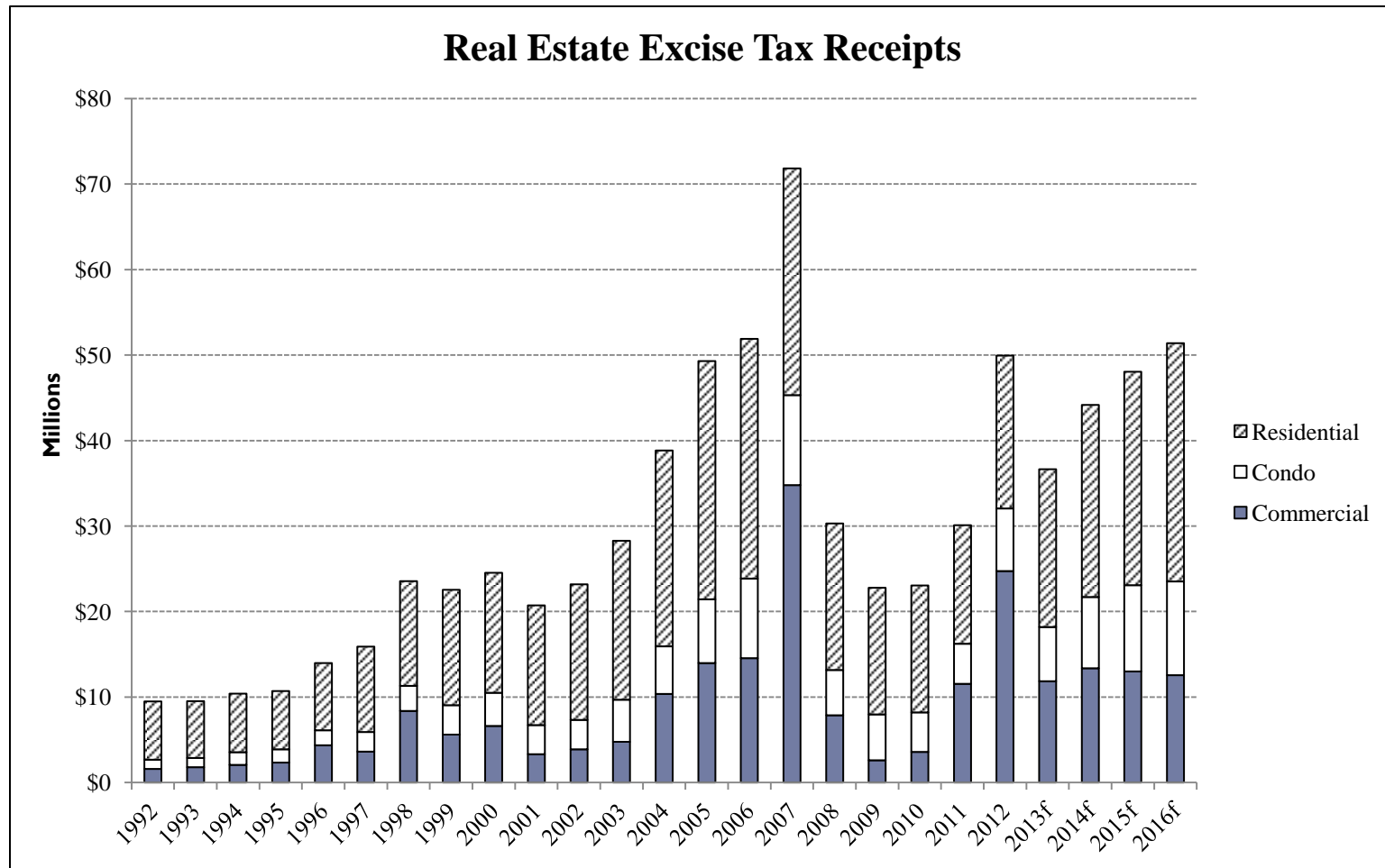
Real Estate Excise Tax Forecasts



► REET

- 2012 revenue exceeded 2011 by 65%
 - Commercial transactions grew 114%
- Forecast for 2013-14 is up 2% from Nov.
 - Single-family transactions to show 12% average annual growth for biennium
 - Upside risks to the forecast for increased commercial activity

Real Estate Excise Tax Forecasts



General Subfund Revenue Forecast



GSF - Item	2012			2013			2014		
	November	Actual	Act-Nov	November	April	Apr-Nov	November	April	Apr-Nov
Property Taxes	258,942,000	259,954,000	1,012,000	261,000,000	251,365,000	(9,635,000)	269,727,000	261,698,000	(8,029,000)
Sales Taxes	164,823,000	168,496,000	3,672,000	170,587,000	176,747,000	6,160,000	177,002,000	184,055,000	7,053,000
B&O and Ad-Taxes	187,532,000	188,890,000	1,357,000	194,938,000	196,475,000	1,537,000	205,763,000	207,371,000	1,608,000
Public Utility Taxes	115,054,000	115,129,000	75,000	120,806,000	123,508,000	2,702,000	126,711,000	129,681,000	2,970,000
Private Utility Taxes	57,639,000	58,930,000	1,291,000	58,655,000	58,578,000	(76,000)	61,375,000	61,512,000	136,000
Other Notable GSF Revenues	71,970,000	72,192,000	222,000	73,493,000	78,455,000	4,962,000	76,483,000	76,112,000	(371,000)
Subtotal	855,961,000	863,591,000	7,629,000	879,478,000	885,128,000	5,650,000	917,062,000	920,429,000	3,367,000
Grants*	1,089,000	1,089,000	-	686,000	686,000	-	700,000	700,000	-
Other General Subfund Revenues	64,894,000	65,804,000	910,000	64,171,000	64,883,000	712,000	68,767,000	69,318,000	551,000
Subtotal	921,945,000	930,484,000	8,539,000	944,335,000	950,697,000	6,362,000	986,528,000	990,446,000	3,918,000
Other Funds - Fund Balance Transfers	9,807,000	9,603,000	(204,000)	2,457,000	2,457,000	-	712,000	712,000	-
GSF - Grand Total	931,751,000	940,087,000	8,335,000	946,792,000	953,154,000	6,362,000	987,240,000	991,158,000	3,918,000
Real Estate Excise Tax	41,128,000	49,940,000	8,812,000	36,431,000	36,637,000	206,000	42,813,000	44,158,000	1,346,000

GSF - Subtotal Growth Rates (yr/yr)

2.5%

4.0%

*Adj. figure; additional 2012 grant revenues of \$24.2MM offset equivalent expenditures appropriated at time of grant receipt.





Budget Outlook

- ▶ Revenue outlook only part of what goes into determining the budget outlook for the upcoming year
- ▶ The 'baseline' budget process, completed every April, determines the outlook for the subsequent fiscal year
- ▶ Budget outlook influenced by:
 - ▶ Yearend position for the previous budget year
 - ▶ Revenue and expenditure estimates for the current and subsequent fiscal years
 - ▶ An assessment of emerging budget needs



2012 Yearend Results

- ▶ City's General Funded ended with \$9.2 million more than was anticipated last November
 - ▶ Third consecutive year that the City ended in the 'black'
 - ▶ Driven by better-than-expected revenue and proactive financial management by departments

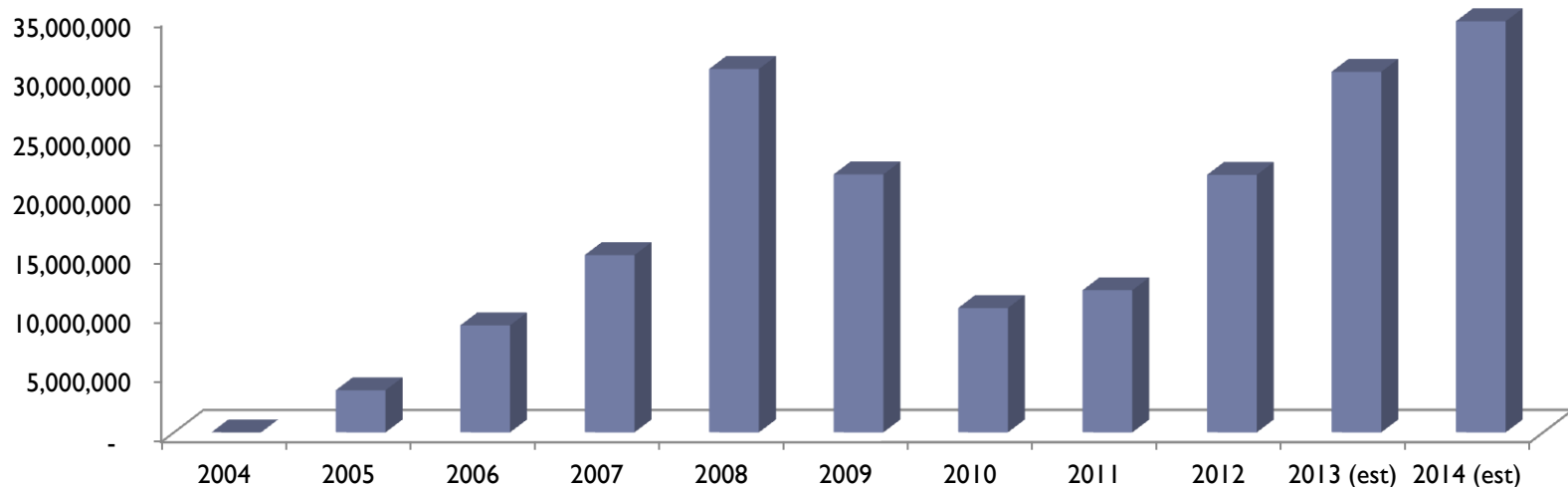
- ▶ Important for two reasons:
 - ▶ Provides a cushion to balance 2014
 - ▶ Allows the City to make another contribution to the Rainy Day Fund
 - ▶ Critical to the City retaining its AAA bond rating

Rainy Day Fund



- ▶ Based on 2012 yearend results, the City will make a \$4.6 million contribution to the Rainy Day Fund
- ▶ Assuming the \$4 million contribution in the 2014 Endorsed Budget, the Rainy Day Fund will total \$34.6 million in 2014, the largest dollar value ever

Rainy Day Fund Balances
2004 - 2014 (Est)



2013-2014 Outlook



- ▶ The General Fund is essentially in balance for 2014
 - ▶ Helped by better-than-expected balances in 2012 and 2013

General Fund Changes Since November 2012

in \$1,000,000s

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Beginning Balance		9.2	8.6
Additional 2013 Rainy Day Fund Contribution*		(4.6)	
Revenues		6.4	3.9
Expenditures		(2.3)	(13.1)
Ending Balance	9.2	8.6	(0.6)

* Contribution required by City as a result of better-than-expected 2012 ending balance.

This amount is in addition to the amount the City will contribute annually based on total tax revenues.



2014 Budget Strategy

- ▶ While 2014 is currently in balance, the City does not have much flexibility to respond if conditions deteriorate
 - ▶ Reductions in State-shared revenues
 - ▶ Weaker economic conditions
 - ▶ Emerging expenditure needs

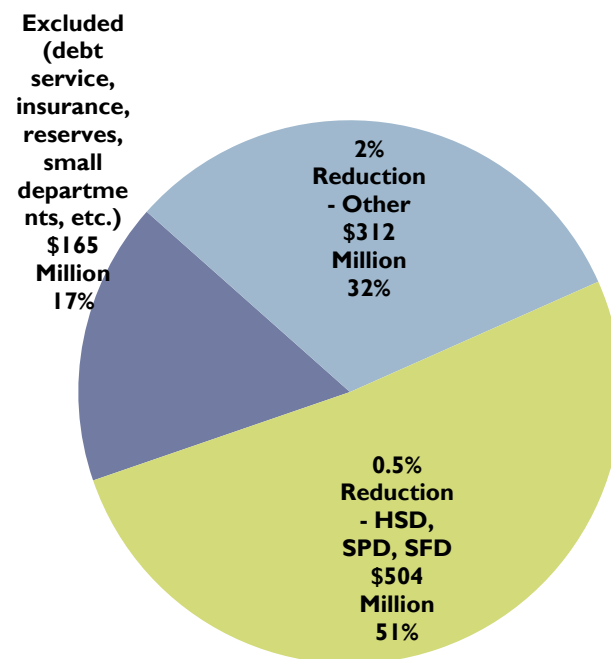
- ▶ City has been well-served over the past three years proactively planning for the unexpected
 - ▶ Recommending a similar tact moving forward



2014 Budget Strategy

- ▶ Two pronged approach to generating options to respond to a **modest** deterioration in our budget situation
 - ▶ 2013 Underspend Requirement – comparable to 2012
 - ▶ 1% for most General Fund-dependent departments
 - ▶ 0.25% for Police, Fire and Human Services
 - ▶ 2014 Reduction Options – lower targets than previous years
 - ▶ 2% for most General Fund-dependent departments
 - ▶ 0.5% for Police Fire, and Human Services
 - ▶ If implemented, these options would provide a ‘cushion’ of about \$15 million or 1.5% of the 2014 General Fund budget

**2014 General Fund
Target Reduction Allocations**
Baseline Budget totals \$980 million





Real Estate Excise Tax

- ▶ Real Estate Excise Tax (REET) revenues finished 2012 stronger than assumed in the 2013 Adopted Budget
- ▶ City Budget Office (CBO) approaches capital planning over a six-year horizon with an emphasis on the coming two years – 2014 and 2015 in this case
- ▶ CBO has adjusted department REET funding ranges for 2014-2015 to account for additional funding available.
 - ▶ Through 2015, \$9.4 million in additional funding is available in total
- ▶ Current planning upholds assumptions in the 2014 Endorsed Budget to re-establish the \$10 million target fund balance across REET funds in 2014.

Questions?

